First Selectman's 2009-10 Budget Address

Following is the text of First Selectman Gordon F. Joseloff's 2009-10 budget address on March 4, 2009 to the Board of Finance.

Members of the Board of Finance, members of the Representative Town Meeting, fellow Westporters, it is my pleasure and privilege to present to you the Town of Westport budget for the fiscal year beginning July 1, 2009.

This is my fourth budget message to you as first selectman, and I'm going to be frank up front, unfortunately it's a gloomy one. Our town--like our residents, like our fellow citizens across the country--is feeling the economic pain.

It is not something we can wish away. It is not something we can pretend will soon get better. And it isn't a surprise. In my budget message a year ago, I noted that our town and nation were going through tough economic times.

Four months ago in this auditorium, on Nov. 5, I told this board the economy was worsening and that "Westport was not immune." The clouds have only darkened since then. What may be a surprise is the depth of the decline and the rapidity with which the economy has worsened.

Westport's difficult economic situation is something we need to address together. This is not--and should not--become a debate about the town side versus the schools. We are jointly feeling the pain. No one can deny Westport's greatness is very much due to the quality education we offer our children.

My department heads and I have been working very hard to seek to continue to deliver quality services at a cost our community can afford. But make no mistake about it. We have had to make some very difficult choices. And the reality is that services will be affected in every department.

In the end, we have fashioned a spending budget that is constrained but one that is fiscally responsible. The town's operating budget comes to $60.5 million, for a 1.4 overall percent increase. Taking out the pension contributions, which I will explain in a few moments, my proposed operating municipal budget is actually down by almost 4 percent from the current year.

It's gone from close to $58.5 million to $56.2 million. That's a $2.3 million decrease in the operating budget. I must quickly recognize and applaud the Board of Education for similarly displaying fiscal frugality in coming with a budget with about a 2 percent increase.

Let's be clear. The cuts we have made are deep across the board. They include elimination of open positions, some personnel reductions, paring back extra help and overtime in many departments, eliminating for one year contributions to the capital and non-recurring budget, fewer roads undergoing resurfacing, and such things as reducing weekend programs at the Senior Center.

These are cuts that impact all Westporters and they will become apparent.

We have provided for no salary increase for non-union personnel. And before anyone asks, that includes me. I remind you that the First Selectman's salary has not changed since 2003, two years before I came into office.

As I have told you previously, I have asked all our unions, both on the municipal and education side, for an across the board general wage freeze. I am hopeful once the unions and their members hear the seriousness of our budget issues, that they will be responsive.

The reality is, however, that the bottom line for taxpayers will not be the same as these lean operating budgets might suggest. Let me talk about pensions first.

As you know, these pensions are contractual obligations that cover municipal employees as well as a number of Board of Education employees. In the current year, we contributed more than $1 million towards the pensions. Our actuaries tell us $4.2 million is needed in the 2009-10 year due to increased pension liabilities and declining asset values.

Declining asset values are something we all can identify with, unfortunately.

Some will ask why, in these difficult economic times, must we fully fund these pension obligations. The answer is that by law we don't have to. We are not obligated to fully fund them. But by law we are obligated to fully pay them.

By not fully funding them today, we will have to make up the assets to meet the liabilities as they grow over time—and they surely will.

In fact, I spoke to our lead actuary today. For example, if we were to only fund half of our pension obligations this next fiscal year, next year's recommended contribution he says would likely be at least $7 million. And that will mean higher taxes next year and the years ahead for Westporters.

This is not the fiscally responsible way to go by not fully funding our pensions, and I am not prepared to recommend that.

In addition, if we don't fully fund our pensions now, there are other consequences. Not fully funding pensions almost certainly will result in a lower credit rating. Higher borrowing costs will be that result.

We've always taken pride in our triple AAA rating. And believe me, I don't want to be the first first selectman to lose our triple AAA rating.

In good times, we could count on perhaps a healthy increase in the grand list, maybe a dollop from our reserves, and a stream of good revenues to get us through any rough periods. That was then. This is now.

Now, revenues associated particularly with real estate have fallen sharply as you all know—conveyance taxes, building permits, zoning permits, etc. Our projections on these lines going forward have got to be very conservative.

We know we will be getting less from the state, and we must anticipate things will get worse before they get better.

In addition to increased pension costs and diminished revenues, the third main factor affecting this budget is an anticipated softening in our tax collections. These numbers make up about 80 percent of our revenues and obviously are impacted as more people lose their jobs and their homes.

Ironically, this week one of the few pieces of good news that I got is that property tax collections—now--are about in line where they were a year ago. I repeat that was the report this week. The problem is that it's a moving target.

There was a different report several weeks ago as I told the Board of Finance. A couple of months ago they seemed to be softening. So we are being prudent in anticipating collections will worsen.

In fashioning my proposed budget, I initially set a couple of goals. One of them was no tax increase. But while I dearly would like to achieve a no-tax-increase budget, that's just not realistic.

Another goal was to keep the fund reserves at no less than 8 percent. And that is one that I think has to be met—again, to retain the coveted credit rating.

So where does this leave us as far as projected taxes? We've done a lot of number crunching in recent days. If my budget and the Board of Education budget remain untouched, if we fully fund the pensions, if we fund the OPEB number—that's Other Post-Employment Benefits at $500,000-- I am projecting a mil rate or tax rate increase of more than 4 percent, perhaps closer to 4.5 percent.

For the Westporter now paying $10,000 in property taxes, that's $450 more a year.

If you the Board of Finance tell me any mil rate increase is unacceptable, we project that the cost to the town is $6.7 million that must come out of the combined budgets of the town and the Board of Education.

If you tell me a 2 percent increase is acceptable, the number is $3.7 million out of our combined budgets. If you tell me 3 percent is acceptable, we're looking at $2.25 million in additional cuts from the combined town and Board of Education budgets.

I will tell you that any further cuts out of the municipal side will be very painful. Nevertheless, because we have to, we've already started the process of seeking and estimating additional savings. These will involve more cutbacks in services and unfortunately loss of jobs.

Additionally, we're looking at other methods--early retirement packages, mandating unpaid furloughs of non-union employees--in other words forcing them to take a pay cut--a reduction of office hours, and other severe measures. The choices clearly will not be easy.

To sum up, I've presented a fiscally responsible budget but understand that together we need to find even more savings in order to keep taxes down for all Westporters. I struggled hard and long as to what my responsibility is this evening, what my purpose tonight would be. And this is it.

I have brought in an operating budget that is down appreciably with a maximum number of diminished services I believe we can sustain.

In any other year, that would be it. I would present my operating budget to you, and then the Board of Finance would vote on a mil rate almost three months later. But these, I don't have to tell you, are extraordinary times.

I can't formulate a budget in isolation without knowing full well what the bigger picture is and must be considered.

The headline here tonight is I'm coming in with a 1.4 percent increase in my proposed municipal operating budget. That's with pensions fully funded. Even with that modest increase, we project close to a needed 4.5 percent tax increase.

So your job Board of Finance now is to tell me and the Board of Education whether this is acceptable. And you will do that in the form of the votes you cast on March 18 on the Board of Education budget and March 24 on the town budget.

I had intended in this address as I usually do to tell you about the achievements of the town, the achievements of departments. And I asked the department heads to send those to me. We have a number of them.

I will be happy to enumerate them in a message to you separately. But I wanted to keep the focus tonight on the numbers which are very serious and merit very serious consideration.

Before I end, I must thank all town employees for their patience and understanding as we have gone through the budget process. Special thanks to Finance Director John Kondub, Controller Ken Alexander and their staff. Special thanks to all town department heads. Special thanks to all town employees.

And very special thanks to Shelly Kassen who has worked hours and hours with me putting this together. I look forward to our discussions. Thank you very much.